
From: Tivanka Ellawala
Sent: Thursday, December 04, 2003 1:09 PM
To: Bill Gates; Steve Ballmer; Eric Rudder; Doug Burgum
Cc: Cindy Bates; Dennis Durkin; Brian Roberts; Dave O'Hara (MBS); Dave Dadoun (LCA)
Subject: RE: Project Constellation Materials

Attached are the discussion materials for the meeting with Sagittarius tomorrow. We have also included additional detail in a separate document for internal review only.

We will have hard copies for Bill and Steve with Christine and Dorothy.



Project



Project

Installation 12-05 Dinstallation 12-05 De

-Tiv

Tivanka Ellawala
Corporate Development
Microsoft Corporation

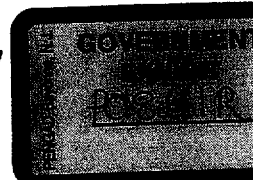
425.705.4775
tivankae@microsoft.com <<mailto:tivankae@microsoft.com>>

From: Tivanka Ellawala
Sent: Monday, December 01, 2003 8:25 PM
To: Bill Gates; Steve Ballmer; Eric Rudder; Doug Burgum
Cc: Cindy Bates; Dennis Durkin; Brian Roberts; Dave O'Hara (MBS); Dave Dadoun (LCA)
Subject: Project Constellation Materials

We have enclosed the materials we discussed with Steve, Eric and Doug last week:

- A summary backgrounder deck on Sagittarius culled from the various presentations we have previously discussed
- Additional background information which includes two research reports, one from Goldman that is positive and comprehensive, and one from Dresdner, the only analyst with a "sell" on the company. Also included is a Gartner report on Netweaver.
- A separate shorter deck that focuses just on an analysis of a possible combination, including customer benefits, synergies and accretion/dilution (see "Project Constellation 12-01 Analysis.ppt"). The first few slides could be shared with Sagittarius. We have also included additional financial detail and supporting information which most likely you won't want to share at this point.

REDACTED



We have time on the calendar to discuss this on Wednesday at 3:00 pm. Let us know if you want a broad group for that or if you would prefer to pass along any additional comments via email.

<< File: Sagittarius Backgrounder 11-28.ppt >> << File: SAP (DRKW 10 17 03).pdf >> << File: GoldmanReport.pdf >>
>> << File: GartneronNetweaver.pdf >> << File: Project Constellation 12-01 Analysis.ppt >>

-Tiv

Tivanka Ellawala
Corporate Development
Microsoft Corporation

425.705.4775
tivankae@microsoft.com <<mailto:tivankae@microsoft.com>>

Project Constellation

Discussion Materials

December 5th, 2003

CONFIDENTIAL

MS-OPCID 000019499
HIGHLY CONFIDENTIAL

The Future: How a Combination Would Benefit Customers

- Front end users better able to communicate with and use backend data
 - Great Office integration for customers (through open, documented interfaces)
 - E.g., view business analytics through Excel
 - Seamless workflow and data exchange through InfoPath, etc
 - More powerful CRM functionality
- Combined efforts in business applications under Sagittarius brand and organization
 - REDACTED
 - MBS integration (ERP, CRM, etc) with Sagittarius enterprise solutions for improved “hub” and “spoke” scenarios
 - Ultimately, seamless roadmap for growing customers
 - Best of SMB offering and strengthened SMB channel- Creates critical mass to attract and benefit ISV/partner ecosystem
 - Extend “common denominator” vertical expertise into current SMB products to facilitate growth of ISV/SI ecosystem
- Together create unified next generation service level-oriented enterprise computing platform; unified portal, BI, app. server and programming model
 - Enhanced offerings for customers of all sizes
- Continued cross platform support for Sagittarius applications

Revenue Synergies Summary

Portal / BI Desktop Related

- New “Sagittarius CAL” opportunity for enabling Office user base to access Sagittarius Back Office functionality (Portal/BI, ERP, CRM and SCM systems)

CRM Related

- Incremental Sagittarius CRM opportunity when coupled with new Office functionality (ability to better monetize stand alone Sagittarius CRM)

Small and Medium Business Related

- Improved integration with Sagittarius enterprise solutions that result in increased mid-market value proposition (enterprise “hub” and mid-market “spokes”)
- Incremental revenue opportunity from monetization of Sagittarius vertical content in MBS solutions

SQL Server + “Halo”

- Incremental SQL share of Sagittarius implementations
- Acceleration in SQL server sales growth resulting from broader CIO acceptance in Enterprise segment

Windows Server + “Halo”

- Incremental Windows server share of Sagittarius implementations
- Acceleration in Windows server sales growth resulting from broader CIO acceptance in Enterprise segment

Cost Synergies Summary

Research & Development

- Consolidation of Portal, BI and App. Server efforts (unified development platform)
- Consolidation of Business One, All in One and MBS product development efforts; Utilize best of each

Sales & Marketing

- Consolidation of SMB channel building and marketing efforts

General & Administrative

- Corporate overhead and expense reduction (mitigated by assumption of large corporate presence in Germany)

Synergies Summary – Mensa Fiscal Year

(\$ in millions)

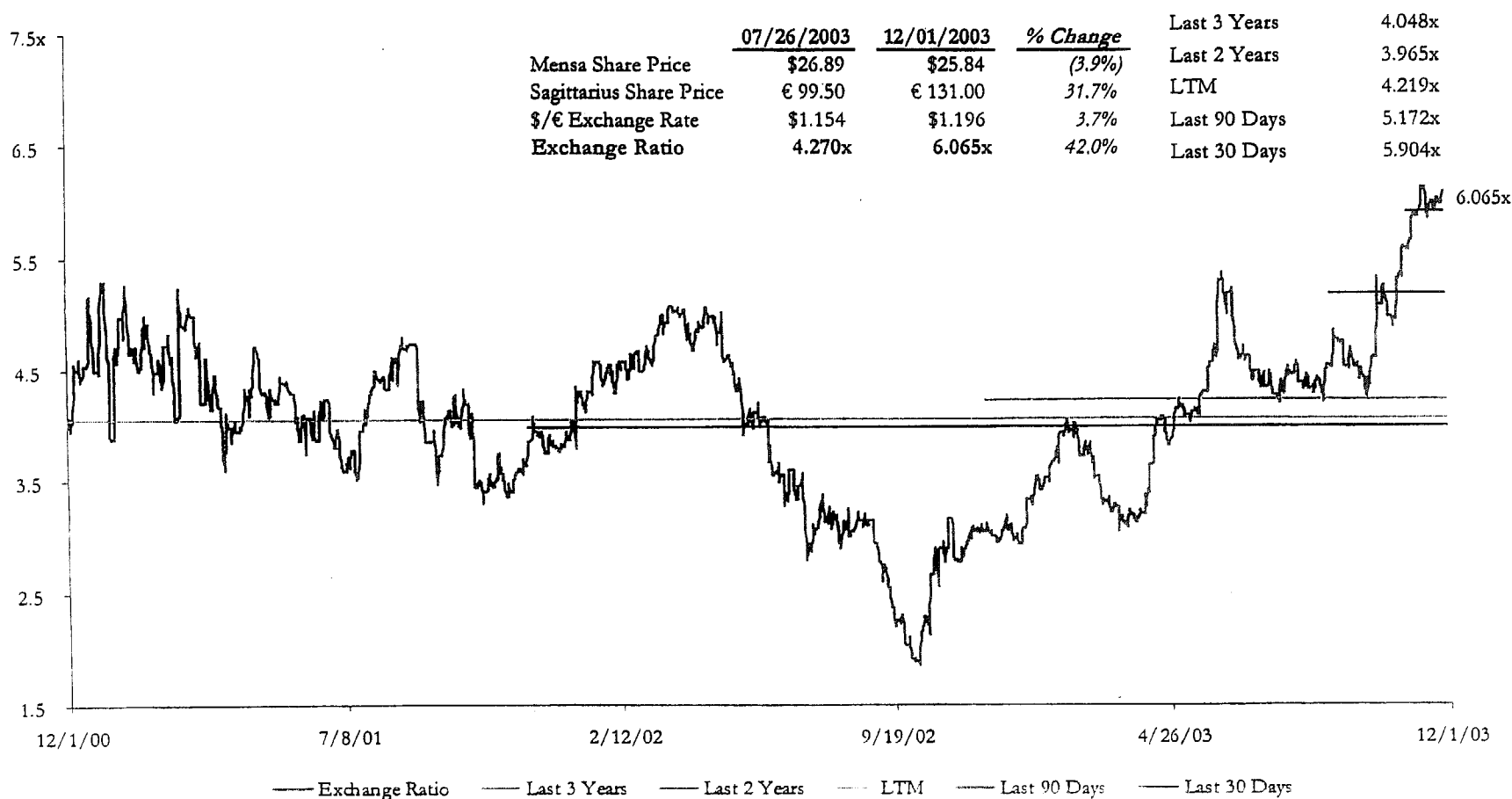
Revenue Synergies

Operating Margin Synergies

REDACTED

Exchange Ratio Analysis

The Sagittarius share price rally since October has taken the Sagittarius/Mensa market exchange ratio to a ~50% premium to its three-year average, and to a 3 year high



Note: Sagittarius' stock price is in € and is converted to \$ based on the \$/€ spot rate of the day

Project Constellation

Discussion Materials Detail—For Internal Use Only

December 5th, 2003

Sagittarius Price to Synergy Sensitivity

(\$ in millions, except per share data)

REDACTED

Synergies Summary – Mensa Fiscal Year (same as pg. 4 of external deck)

(\$ in millions)

Revenue Synergies

Operating Margin Synergies

REDACTED

Synergies Detail – New Portal / BI Related SAP CAL

REDACTED

Synergies Detail – CRM and SMB Related

REDACTED

Synergies Detail – Database Related

REDACTED

Synergies Detail – Windows Server Related

REDACTED

Synergies Detail – Cost Related

REDACTED